

Tobin & Co.

Eveline Township

Charlevoix County, Michigan

Audit Report

For the Year Ended June 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Eveline Township	County Charlevoix
Fiscal Year End 6/30/06	Opinion Date 1/31/07	Date Audit Report Submitted to State 2/26/07	

We affirm that:

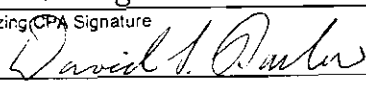
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Tobin & Co., P.C.		Telephone Number 231-947-0151	
Street Address 400 E. Eighth St.		City Traverse City	State MI
Zip 49686		License Number 1101013418	
Authorizing CPA Signature 		Printed Name DAVID L. BASLER	

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Eveline Township
Charlevoix County
Charlevoix, Michigan 49646

We have audited the accompanying financial statements of the governmental activities and each major fund of Eveline Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities and each major fund of Eveline Township at June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Eveline Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
January 31, 2007

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EVELINE TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Eveline Township, Charlevoix County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Eveline Township for the fiscal year ended June 30, 2006.

Eveline Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

Both of the government-wide financial statements show functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**). The governmental activities of the Township include: General Government, Public Safety and Road Projects. Eveline Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

Statement of Governmental Net Assets:

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Eveline Township, assets exceeded liabilities by \$912,105 at the close of the most recent fiscal year.

A portion of the Township's net assets, \$38,745 or 4 percent of the total, reflects its investment in capital assets. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

Statement of Township's Net Assets

	Governmental Activities and Total	
	June 30, 2006	June 30, 2005
Current and Other Assets	\$ 905,226	\$ 609,670
Capital Assets	<u>38,745</u>	<u>38,076</u>
Total Assets	943,971	647,746
Long-term Liabilities	-	-
Other Liabilities	<u>31,866</u>	<u>17,790</u>
Total Liabilities	31,866	17,790
Net Assets:		
Investment in Capital Assets	38,745	38,076
Restricted for:		
Sewer System	8,010	7,690
Roads	419,080	208,925
Unrestricted	<u>446,270</u>	<u>375,265</u>
Total Net Assets	<u>\$ 912,105</u>	<u>\$ 629,956</u>

A portion of the Township's net assets (47 percent) represents resources that are subject to external restrictions on how they may be used (Sewer and Roads). The remaining balance of unrestricted net assets, \$446,270, may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

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Statement of Governmental Activities:

Governmental activities increased the Township's net assets by \$281,829, accounting for a 44.7 percent growth in the net assets of the Township.

Statement of Township's Activities

	Governmental Activities and Total	
	June 30, 2006	June 30, 2005
Program Revenues:		
Charges for Services	\$ 11,225	\$ 9,983
Operating Grants and Contributions	13,753	-
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	466,239	426,301
State Shared Revenues	106,700	103,170
Unrestricted Investment Earnings	27,007	20,093
Miscellaneous	4,334	13,666
Total Revenues	629,258	573,213
Program Expenses:		
Legislative	39,607	60,730
General Government	121,826	105,340
Public Safety	79,343	102,954
Public Works	74,530	287,779
Community and Economic Development	31,803	52,724
Total Expenses	347,109	609,527
Change in Net Assets	\$ 282,149	\$ (36,314)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Eveline Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Eveline Township are categorized as governmental funds.

Eveline Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Road Fund which are considered to be major funds. All Township government activities are included in these two funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds.

Governmental Funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$873,360, an increase of \$281,480 in comparison with the prior year. \$865,350 constitutes unreserved fund balance, which is available for spending at the Township's discretion.

All Township government activities are included in two funds that Eveline Township maintains. The General Fund is used for normal governmental activities such as, paying employees, running election, zoning activities, office supplies, and others. The Road Fund is used to construct, pave and repave roads within the Township.

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Statement of Township's Governmental Funds Fund Balances

	2006			2005		
	General	Road	Total	General	Road	Total
Assets:						
Cash in Bank	\$ 397,567	\$ 459,805	\$ 857,372	\$ 249,911	\$ 216,791	\$ 466,702
Restricted Cash	8,010	-	8,010	7,690	-	7,690
Receivables	29,212	10,632	39,844	15,836	-	15,836
Due from Other Funds	<u>43,491</u>	<u>-</u>	<u>43,491</u>	<u>119,442</u>	<u>-</u>	<u>119,442</u>
Total Assets	\$ 478,280	\$ 470,437	\$ 948,717	\$ 392,879	\$ 216,791	\$ 609,670
Liabilities:						
Accounts Payable	\$ 24,000	\$ -	\$ 24,000	\$ 9,924	\$ -	\$ 9,924
Due to Other Funds	-	51,357	51,357	-	7,866	7,966
Loans Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	24,000	51,357	75,357	9,924	7,866	17,790
Fund Balances:						
Reserved Balances	8,010	-	8,010	7,690	-	7,690
Unreserved Balances	<u>446,270</u>	<u>419,080</u>	<u>865,350</u>	<u>375,265</u>	<u>208,925</u>	<u>584,190</u>
Total Fund Balances	\$ 454,280	\$ 419,080	\$ 873,360	\$ 392,879	\$ 208,925	\$ 591,880

Statement of Township's Governmental Funds Revenues & Expenditures

	2006			2005		
	General	Road	Total	General	Road	Total
Revenues:						
Grants and Charges	\$ 24,978	\$ -	\$ 24,978	\$ 9,983	\$ -	\$ 9,983
Property Taxes	267,581	198,658	466,239	247,146	179,155	426,301
State Shared Revenues	106,700	-	106,700	103,170	-	103,170
Investment Earnings	18,510	8,497	27,007	16,942	3,151	20,093
Other Income	<u>1,334</u>	<u>3,000</u>	<u>4,334</u>	<u>13,666</u>	<u>-</u>	<u>13,666</u>
Total Revenues	419,103	210,155	629,258	390,907	182,306	573,213
Program Expenses:						
Legislative	39,607	-	39,607	60,730	-	60,730
General Government	115,752	-	115,752	99,554	-	99,554
Public Safety	79,343	-	79,343	102,954	-	102,954
Public Works	74,530	-	74,530	137,771	150,008	287,779
Community and Economic Development	31,803	-	31,803	52,724	-	52,724
Capital Outlay	<u>6,743</u>	<u>-</u>	<u>6,743</u>	<u>1,530</u>	<u>-</u>	<u>1,530</u>
Total Expenses	347,778	-	347,778	455,263	150,008	605,271
Change in Fund Balances	71,325	210,155	281,480	(64,356)	32,298	(32,058)
Fund Balance – Start of Year	382,955	208,925	591,880	447,311	176,627	623,938
Fund Balance – End of Year	\$ 454,280	\$ 419,080	\$ 873,360	\$ 382,955	\$ 208,925	\$ 591,880

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Notes to the Financial Statements

Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund – Analysis and Highlights

In December 2005 the Township Board required receipts attached to all future expense reports. Also, a new time card was implemented, giving the Township Board mileage reports along with a narrative of the nature of business conducted.

Road Fund – Analysis and Highlights

The Township Board was able to purchase three and one-half miles of blacktop road resurfacing in June 2006, paid for in the 2006-2007 fiscal year. Also, the Board was able to gravel twenty miles of roads paid for from the General Fund.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$131,104 less accumulated depreciation of \$92,359 for a total capital asset value of \$38,745. This investment in capital assets includes land, buildings and equipment. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

This year the amount by which capital outlays exceeded depreciation was \$669. This will change in the 2006-2007 budget year with more money budgeted for capital outlay.

Long-term Debt

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

Currently Known Facts, Decisions, or Conditions

The General Fund is used to account for all operating activities of the Township. Budgeted expenditures for 2006-2007 are \$405,825 compared to revenues of \$358,654. The excess expenditures are to expend 2005-2006 road improvements monies budgeted and committed in 2005-2006 but actually expended after year-end, in the summer of 2006.

For the first time, the Township brought residents into the preliminary stages of the budgeting process. Representatives of each side of the lake were solicited to meet with members of the Board in the spring of 2006. The purpose of the meeting was to promote understanding of the Township's revenues and expenditures and to seek input from the residents prior to final budget preparations.

In order to provide additional funds for needed road improvements, expenditures for 2006-2007 were held to 2005-2006 levels, other than planning, where professional fees were reduced in conjunction with the conclusion of revised Master Plan and Zoning Ordinance reviews conducted in 2004, 2005 and 2006. Salaries for officer Trustees were held at 2005-2006 levels. Two non-officer Trustees salaries were increased from \$2,500 to \$4,000, based on increasing responsibilities. Fees for Township services, such as permits and special meetings, were held at 2005-2006 levels, subject to review of costs and appropriate levels later in the year.

Economic Factors and Next Year's Budgets and Rates

The Township has taken a conservative approach to spending, other than roads, discussed below. Though we have no specific knowledge at this time, we recognize the possibility of reductions in State revenue sharing and other potential negative factors. One concern, is that we are relying on a positive response from the Township residents to renewal of our 1% millage for roads; due for presentation to the residents in August of 2006.

Rates for various Township fees for services are being held to 2005-2006 levels; pending a planned review of associated costs later in the budget year. In addition, no millage rate changes are anticipated.

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Budgeted amounts, for 2006-2007 by fund, are as follows:

	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 358,654	\$ 405,825
Road Fund:		
Road Millage	\$ 221,611	\$ 221,611
Transfer from General Fund	\$ 100,000	\$ 100,000
Carryover fund balance from 2005-2006		\$ 128,389

The carryover from 2005-2006 represents funds from said year committed for roads, but not actually expended until the summer of the 2006-2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Eveline Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Vron dran, Supervisor, Eveline Township, 5141 Ferry Rd., East Jordan, Michigan 49727 – (213) 582-3119.

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Eveline Township Statement of Net Assets June 30, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u> <u>And Total</u>
Assets	
Cash	\$ 865,382
Receivables	39,844
Capital Assets	
Land	500
Other Capital Assets, Net of Depreciation	<u>38,245</u>
Total Capital Assets	<u>38,745</u>
Total Assets	<u>943,971</u>
Liabilities	
Accounts Payable	24,000
Due to Other Funds	<u>7,866</u>
Total Liabilities	<u>31,866</u>
Net Assets	
Invested in Capital Assets	38,745
Restricted for:	
Sewer System	8,010
Roads	419,080
Unrestricted	<u>446,270</u>
Total Net Assets	<u>\$ 912,105</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township Statement of Activities June 30, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	\$ 39,607	\$ -	\$ -	\$ (39,607)
General Government	121,826	800	5,500	(115,526)
Public Safety	79,343	-	-	(79,343)
Public Works	74,530	-	3,753	(70,777)
Community and Economic Development	<u>31,803</u>	<u>10,425</u>	<u>4,500</u>	<u>(16,878)</u>
Total Governmental Activities	<u>\$ 347,109</u>	<u>\$ 11,225</u>	<u>\$ 13,753</u>	<u>(322,131)</u>
General Revenues:				
Property Taxes				466,239
State Shared Revenues				106,700
Unrestricted Investment Earnings				27,007
Miscellaneous				<u>4,334</u>
Total General Revenues				<u>604,280</u>
Change in Net Assets				282,149
Net Assets – Beginning				<u>629,956</u>
Net Assets – Ending				<u>\$ 912,105</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township Balance Sheets Governmental Funds June 30, 2006

	<u>General</u>	<u>Roads</u>	<u>Total</u>
Assets			
Cash in Bank	\$ 397,567	\$ 459,805	\$ 857,372
Restricted Cash	8,010	-	8,010
Accounts Receivable	15,910	-	15,910
Delinquent Taxes Receivable	13,302	10,632	23,934
Due from Other Funds	<u>43,491</u>	<u>-</u>	<u>43,491</u>
Total Assets	<u>\$ 478,280</u>	<u>\$ 470,437</u>	<u>\$ 948,717</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 24,000	\$ -	\$ 24,000
Due to Other Funds	<u>-</u>	<u>51,357</u>	<u>51,357</u>
Total Liabilities	<u>24,000</u>	<u>51,357</u>	<u>75,357</u>
Fund Balances:			
Special Revenue Funds	<u>454,280</u>	<u>419,080</u>	<u>873,360</u>
Total Fund Balances	<u>454,280</u>	<u>419,080</u>	<u>873,360</u>
Total Liabilities and Fund Balances	<u>\$ 478,280</u>	<u>\$ 470,437</u>	
Amounts reported for governmental activities on the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			<u>38,745</u>
Net assets of governmental activities.			<u>\$ 912,105</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2006

	<u>General</u>	<u>Roads</u>	<u>Total</u>
Revenues:			
Taxes	\$ 267,581	\$ 198,658	\$ 466,239
Licenses and Permits	9,925	-	9,925
Federal Grants	5,500	-	5,500
State Grants	114,953	-	114,953
Charges for Services	800	-	800
Fines and Forfeits	500	-	500
Interest and Rents	18,510	8,497	27,007
Other	<u>1,334</u>	<u>3,000</u>	<u>4,334</u>
Total	<u>419,103</u>	<u>210,155</u>	<u>629,258</u>
Expenditures:			
Legislative	39,607	-	39,607
General Government	100,317	-	100,317
Public Safety	79,343	-	79,343
Public Works	74,530	-	74,530
Community and Economic Development	31,803	-	31,803
Other	15,435	-	15,435
Capital Outlay	<u>6,743</u>	<u>-</u>	<u>6,743</u>
Total	<u>347,778</u>	<u>-</u>	<u>347,778</u>
Excess Revenues and Net Change in Fund Balances	71,325	210,155	281,480
Fund Balance – Beginning of Year	<u>382,955</u>	<u>208,925</u>	
Fund Balance – End of Year	<u>\$ 454,280</u>	<u>\$ 419,080</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.			<u>669</u>
Change in Net Assets of Governmental Activities.			<u>\$ 282,149</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township Statement of Fiduciary Net Assets June 30, 2006

	<u>Agency Funds</u>
Assets	
Cash	\$ 2,627
Due from Other Funds	<u>7,866</u>
Total Assets	<u>\$ 10,493</u>
Liabilities	
Undistributed Taxes and Interest	<u>\$ 10,493</u>
Total Liabilities	<u>\$ 10,493</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

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Eveline Township
Notes to Financial Statements
June 30, 2006

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Eveline Township is a general law township located in Charlevoix County. Population as of the 2000 census was 1,560, and the current taxable value is \$205,923,718.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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Eveline Township
Notes to Financial Statements
June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Equipment	5 years

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Eveline Township Notes to Financial Statements June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$345,299,300	\$205,923,718	.9638
Road	\$345,299,300	\$205,923,718	.9638

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2006.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2006, the following cost centers overexpended their budgets without formal Board amendment.

General Fund:	
Township Hall and Grounds	\$ 38
Spring Cleanup	\$ 134

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).

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Eveline Township Notes to Financial Statements June 30, 2006

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$875,501 deposited with a local financial institution at June 30, 2006 with a carrying value of \$868,009. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$582,457 of uninsured deposits at June 30, 2006.

NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	6/30/05	Additions	Deletions	6/30/06
Land	\$ 500	\$ -	\$ -	\$ 500
Buildings and Improvements	50,409	-	-	50,409
Equipment	74,695	5,500	-	80,195
	125,604	5,500	-	131,104
Less Accumulated Depreciation	(87,528)	(4,831)	-	(92,359)
	<u>\$ 38,076</u>	<u>\$ 669</u>	<u>\$ -</u>	<u>\$ 38,745</u>

NOTE 5 - INVENTORIES

Eveline Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 6- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 7- COMPENSATED ABSENCES

The Township provides no compensated absences for its employees.

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Eveline Township
Notes to Financial Statements
June 30, 2006

NOTE 8- INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 43,491	\$ -
Road Fund	-	51,357
Tax Collection Fund	<u>7,866</u>	<u>-</u>
	<u>\$ 51,357</u>	<u>\$ 51,357</u>

NOTE 9- CASH RESTRICTED FOR SEWER SYSTEM

In accordance with Act 451, the Township entered into an agreement to assume responsibility for the operation and maintenance of a privately owned public sewer system, if the owners' association should fail to do so. Cash totaling \$8,010 has been restricted for this purpose.

SUPPLEMENTAL DATA SECTION

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Eveline Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2006

Schedule I
Page 1

	<u>Budgetary Amounts</u>			<u>Variance</u>
<u>Revenues</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Taxes:				
Property Taxes	\$ 184,328	\$ 184,328	\$ 198,710	\$ 14,382
Penalties and Interest on Taxes	-	-	792	792
Property Tax Administration Fees	45,400	45,400	68,027	22,627
Swamp Tax and Commercial Forest	142	142	52	(90)
Licenses and Permits:				
Zoning Permits	7,000	7,000	9,925	2,925
Federal Grants:				
Elections	-	5,500	5,500	-
State Grants:				
State Shared Revenues	80,000	80,000	106,700	26,700
Master Plan Grant	3,580	3,580	4,500	920
Metro Act	-	-	3,753	3,753
Charges for Services:				
Cemetery Fees	500	500	800	300
Fines and Forfeits:				
Fines	-	-	500	500
Interest and Rents:				
Interest	10,000	10,000	18,510	8,510
Other:				
Refunds and Reimbursements	100	100	78	(22)
Other	-	-	1,256	1,256
Total Revenues	331,050	336,550	419,103	82,553
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	8,755	-
Supplies	-	-	927	-
Audit and Accounting	-	-	3,800	-
Legal	-	-	19,467	-
Dues	-	-	3,311	-
Mileage and Travel	-	-	804	-
Printing and Publication	-	-	523	-
Other	-	-	2,020	-
Total	40,200	40,200	39,607	593
Total Legislative	40,200	40,200	39,607	593

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Eveline Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2006

Schedule 1
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	13,245	-
Supplies	-	-	764	-
Postage	-	-	80	-
Telephone	-	-	376	-
Mileage and Travel	-	-	202	-
Other	-	-	109	-
Total	<u>16,500</u>	<u>16,500</u>	<u>14,776</u>	<u>1,724</u>
Elections:				
Supplies	-	-	63	-
Total	<u>5,600</u>	<u>5,600</u>	<u>63</u>	<u>5,537</u>
Assessor:				
Salaries and Wages	-	-	29,600	-
Supplies	-	-	463	-
Postage	-	-	819	-
Telephone	-	-	468	-
Professional Services	-	-	3,095	-
Mileage and Travel	-	-	909	-
Printing and Publication	-	-	636	-
Other	-	-	100	-
Total	<u>38,320</u>	<u>38,320</u>	<u>36,090</u>	<u>2,230</u>
Clerk:				
Salaries and Wages	-	-	16,025	-
Supplies	-	-	1,737	-
Postage	-	-	336	-
Telephone	-	-	423	-
Education	-	-	130	-
Mileage and Travel	-	-	180	-
Other	-	-	130	-
Total	<u>20,200</u>	<u>20,200</u>	<u>18,961</u>	<u>1,239</u>
Board of Review:				
Salaries and Wages	-	-	1,805	-
Printing and Publication	-	-	331	-
Education	-	-	300	-
Other	-	-	44	-
Total	<u>2,750</u>	<u>2,750</u>	<u>2,480</u>	<u>270</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Eveline Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2006

Schedule 1
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
General Government (Continued):				
Treasurer:				
Salaries and Wages	-	-	20,429	-
Supplies	-	-	400	-
Postage	-	-	1,374	-
Telephone	-	-	593	-
Mileage and Travel	-	-	356	-
Printing and Publication	-	-	1,302	-
Maintenance and Repairs	-	-	60	-
Other	-	-	751	-
Total	<u>26,800</u>	<u>26,800</u>	<u>25,265</u>	<u>1,535</u>
Township Hall and Grounds:				
Supplies	-	-	112	-
Telephone	-	-	377	-
Public Utilities	-	-	1,251	-
Maintenance and Repairs	-	-	563	-
Other	-	-	35	-
Total	<u>2,300</u>	<u>2,300</u>	<u>2,338</u>	<u>(38)</u>
Cemetery:				
Salaries and Wages	-	-	60	-
Supplies	-	-	134	-
Maintenance and Repairs	-	-	150	-
Total	<u>800</u>	<u>800</u>	<u>344</u>	<u>456</u>
Total General Government	<u>113,270</u>	<u>113,270</u>	<u>100,317</u>	<u>12,953</u>
Public Safety:				
Fire Protection:				
Contractual Services	-	-	73,349	-
Total	<u>80,000</u>	<u>80,000</u>	<u>73,349</u>	<u>6,651</u>
Ambulance Service:				
Contractual Services	-	-	5,994	-
Total	<u>13,000</u>	<u>13,000</u>	<u>5,994</u>	<u>7,006</u>
Total Public Safety	<u>93,000</u>	<u>93,000</u>	<u>79,343</u>	<u>13,657</u>
Public Works:				
Road Maintenance and Repairs	100,000	100,000	52,931	47,069
Street Lights	1,500	1,500	1,465	35
Spring Cleanup	<u>20,000</u>	<u>20,000</u>	<u>20,134</u>	<u>(134)</u>
Total Public Works	<u>121,500</u>	<u>121,500</u>	<u>74,530</u>	<u>46,970</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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Eveline Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2006

Schedule 1
Page 4

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (Continued)				
Community and Economic Development				
Planning and Zoning:				
Salaries and Wages	-	-	22,336	-
Supplies	-	-	531	-
Postage	-	-	892	-
Telephone	-	-	458	-
Professional Services	-	-	4,850	-
Mileage and Travel	-	-	807	-
Printing and Publication	-	-	1,892	-
Other	-	-	37	-
Total	<u>41,600</u>	<u>41,600</u>	<u>31,803</u>	<u>9,797</u>
Total Community and Economic Development	<u>41,600</u>	<u>41,600</u>	<u>31,803</u>	<u>9,797</u>
Other:				
Employee Benefits and Insurance	<u>28,000</u>	<u>28,000</u>	<u>15,435</u>	<u>12,565</u>
Total Other	<u>28,000</u>	<u>28,000</u>	<u>15,435</u>	<u>12,565</u>
Capital Outlay	<u>6,100</u>	<u>11,600</u>	<u>6,743</u>	<u>4,857</u>
Total Expenditures	<u>443,670</u>	<u>449,170</u>	<u>347,778</u>	<u>101,392</u>
Excess Revenues (Expenditures)	(1) <u>\$ (112,620)</u>	<u>\$ (112,620)</u>	71,325	<u>\$ 183,945</u>
Fund Balance – Beginning of Year			<u>382,955</u>	
Fund Balance – End of Year			<u>\$ 454,280</u>	

(1) Budgeted from fund balance.

The Notes to the Basic Financial Statements are an integral part of this statement.

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Eveline Township Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual Road Fund For the Year Ended June 30, 2006

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Property Taxes	\$ 212,705	\$ 212,705	\$ 198,658	\$ (14,047)
Interest and Rents:				
Interest	-	-	8,497	8,497
Other:				
Refunds and Reimbursements	-	-	3,000	3,000
Total	<u>212,705</u>	<u>212,705</u>	<u>210,155</u>	<u>(2,550)</u>
<u>Expenditures</u>	<u>215,000</u>	<u>215,000</u>	<u>-</u>	<u>215,000</u>
Total	<u>215,000</u>	<u>215,000</u>	<u>-</u>	<u>215,000</u>
Excess Revenues (Expenditures)	(1) <u>\$ (2,295)</u>	<u>\$ (2,295)</u>	210,155	<u>\$ 212,450</u>
Fund Balance -- Beginning of Year			<u>208,925</u>	
Fund Balance -- End of Year			<u>\$ 419,080</u>	
(1) Budgeted from Fund Balance				

The Notes to the Basic Financial Statements are an integral part of this statement.

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January 31, 2007

To the Township Board
Eveline Township

We have audited the financial statements of Eveline Township for the year ended June 30, 2006, and have issued our report thereon dated January 31, 2007. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 13, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Eveline Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Eveline Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2006. We noted no transactions entered into by Eveline Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Eveline Township's financial reporting process (that is, cause future financial statements to be materially misstated).

The following audit adjustments, in our judgment, indicate matters that could have a significant effect on Eveline Township's financial reporting process.

	<u>Debit</u>	<u>Credit</u>
1) Road Fund Certificate of Deposit	\$ 247,598.70	\$
Road Fund Earned Interest		145,225.67
Road Fund Fund Balance		102,373.03
2) 2002 General Fund Cash		280,733.58
2003 General Fund Cash		298,508.43
2004 General Fund Cash		112,315.37
Payroll Liabilities	357,158.79	
General Fund Fund Balance	334,398.59	
3) Tax Account Cash	1,793,645.77	
Tax Account Cash 06/07		8,254.27
Tax Account Earned Interest		1,755,299.43
General Fund Current Taxes		30,092.07
4) General Fund Current Taxes	569,080.04	
Treasurer Summer Tax Collection Expense		569,080.04
5) 2005 General Fund Cash	62,978.16	
State Shared Revenues		17,740.00
General Fund Current Taxes		45,238.16
6) General Fund Current Taxes	76,865.03	
General Fund Fund Balance		76,865.03
7) Road Fund Current Taxes	35,826.67	
General Fund Current Taxes		35,826.67
8) Taxes Receivable	23,953.90	
General Fund Current Taxes		10,631.63
General Fund Property Tax Admin Fees		2,670.64
Road Fund Current Taxes		10,631.63

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9) General Fund Roads Expense	17,928.52	
General Fund Ambulance Service	5,159.39	
Accounts Payable		23,087.91

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as Eveline Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered the following difficulties in performing our audit.

- 1) We noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Eveline Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.
 - a) It appeared that several cash items, especially related to the Current Property Tax Collection Fund, were not receipted by the treasurer to the clerk or not receipted or recorded correctly and in a timely manner.

In the Tax Collection Fund cash account, only a refund from the County treasurer and interest amounts were recorded.

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In the General Fund cash account, a deposit of \$45,695.11 was recorded in the general ledger as \$456.95.

- b) Several disbursements from the Tax Collection cash account to the General and Road funds did not clear the bank in a timely manner:

<u>Check Number</u>	<u>Date Written</u>	<u>Date Cleared Bank</u>
2217	12/17/05	03/01/06
2227	01/03/06	03/01/06
2237	01/12/06	06/13/06
2238	01/12/06	06/19/06
2239	01/12/06	06/13/06
2248	01/12/06	06/13/06
2253	02/07/06	06/13/06
2254	02/07/06	06/19/06
2255	02/07/06	06/13/06
2256	02/17/06	06/13/06

- c) Disbursements of \$569,080.04 of summer taxes to other taxing units were erroneously written from the General Fund cash account. The amounts were replaced by a transfer from the Tax Collection cash account the same day.

- 2) The following items are not considered reportable conditions, but should be brought to your attention. Items a) through c) were reported by the previous auditor.

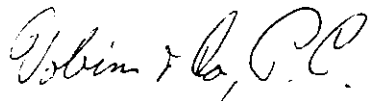
- a) The financial audit is due to the State within six months after the year end. All financial records were not available for audit in time to complete the report by that date.
- b) Supporting documentation could not be found for nine items of disbursement chosen by us for examination, including several disbursements to pay credit card balances. All disbursements should have properly approved backup documentation attached to the check copy.
- c) Refunds to taxpayers for overpayment of property taxes were not made on a timely basis. These refunds should be made within 30 days of the collected overpayment.
- d) The chart of accounts contains many erroneously numbered accounts, leading to confusion in posting both receipts and disbursements. As a result, many transactions were misposted. The Michigan Department of Treasury chart of accounts for local units of government must be used and its incorporation along with the elimination of duplicate amounts should correct most mispostings.

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- e) One of our audit adjustments was deemed necessary because of a breach in entity integrity. Let me explain. Each fund of the Township is, according to the State accounting procedures, a separate entity. If an adjustment is made or a revenue or expenditure recorded for any fund, then both halves of that entry in the prescribed double entry bookkeeping system must take place within the same fund. We noted some instances, though not material, where a revenue was recorded in one fund and cash increased in another fund. Both parts of these revenue entries must be within the same fund in order to maintain fund or entity integrity. This error can best be avoided by making each fund a separate company in the Township's Quickbooks computerized accounting programs.

This information is intended solely for the use of the Township Board and management of Eveline Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.